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**Exhibit A to**  
**Request for Reconsideration and Request to**  
**Withdraw Premature Finality of Office Action**

Application Serial No. 09/611,548

Attorney Docket No. 114595-02

Request for Reconsideration Dated July 20, 2006 – Response to Office Action of April 20, 2006

<http://www.investopedia.com/terms/n/nonrecoursedebt.asp>

<http://www.answers.com/topic/non-recourse-debt>

A loan that is secured by some sort of collateral, usually property. The issuer can seize the collateral if the borrower defaults.

<http://www.moneyglossary.com/>

**Nonrecourse Debt:** A loan, security for which is limited to the value of pledged assets and for which, indeed, the only repayment may be the money equivalent which the lender obtains for the pledged collateral.

[http://teachmefinance.com/Financial\\_Terms/nonrecourse\\_loan.html](http://teachmefinance.com/Financial_Terms/nonrecourse_loan.html)

<http://www.investordictionary.com/>

**nonrecourse loan** – a type of loan in which the only remedy available to the lender in the event of the borrower's default is to foreclose on the collateral; the borrower is not personally liable for repayment.

[http://www.growco.com/gcg\\_entries/nonrecoursedebt1.htm](http://www.growco.com/gcg_entries/nonrecoursedebt1.htm)

**Nonrecourse Debt . . .** is an obligation that entitles the holder to collect only against assets pledged to that debt as collateral. A promissory note that permits the holder to take the collateral in payment of the note but not to collect from the maker personally in the event of a default would be nonrecourse debt. . . .

**Texas State Banking Department, <http://www.banking.state.tx.us/exec/testmny/97-5-24.htm>**

A nonrecourse loan is one in which the lender does not have the legal right to hold the borrower personally responsible for repayment. Instead, nonrecourse loans are generally repaid from the sale or cash flow of the collateral.

...

#### **NONRECOURSE LENDING AND BANK SAFETY AND SOUNDNESS**

Banking regulators monitoring the safety and soundness of the banking system would be concerned with the introduction of a large volume of nonrecourse lending, albeit secured by equity in borrowers' homes.

[http://en.wikipedia.org/wiki/Nonrecourse\\_debt](http://en.wikipedia.org/wiki/Nonrecourse_debt) (excerpts)

A nonrecourse debt or non-recourse debt or nonrecourse loan is a secured loan (debt) that is secured by a pledge of collateral, typically real property, but for which the borrower is not personally liable. If the borrower defaults, the lender/issuer can seize the collateral, but the lender's recovery is limited to the collateral. If the property is insufficient to cover the outstanding loan balance (for example, if real estate prices have

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dropped), the lender is simply out the difference. Thus, non-recourse debt is typically limited to 80% or 90% loan-to-value ratios, so that the property itself provides "overcollateralization" of the loan.

Non-recourse debt is typically used to finance commercial real estate and similar projects with high capital expenditures, long loan periods, and uncertain revenue streams. Because most commercial real estate is owned in a partnership structure (or similar tax pass-through), non-recourse borrowing gives the real estate owner the tax benefits of a tax-pass-through partnership structure (that is, loss pass-through and no double taxation), and simultaneously limits personal liability to the value of the investment.

***Commissioner v. Tufts, 461 U.S. 300 (U.S. Sup. Ct. 1983) (excerpts)***

... [the partnership that owned the property] was committed for a \$1,851,500 loan for the complex. ... The partnership obtained the loan on a nonrecourse basis; neither the partnership nor its partners assumed any personal liability for repayment of the loan. ...

... we conclude that the same rule applies when the unpaid amount of the nonrecourse mortgage exceeds the value of the property transferred. ... the amount of the nonrecourse liability is to be included in calculating both the basis [in the property financed] and the amount realized on disposition.

... when [the borrower/mortgagor's] obligation is assumed by a third party who purchases the encumbered property, it is as if the mortgagor first had been paid with cash borrowed by the third party from the [lender/mortgagee] on a nonrecourse basis, and then had used the cash to satisfy his obligation to the [lender/mortgagee].

... Because of the remedy accompanying the mortgage in the nonrecourse situation, the depreciation in the fair market value of the property is relevant economically only to the mortgagee, who by lending on a nonrecourse basis remains at risk.

... a nonrecourse loan should be treated as a true loan. We therefore hold that a taxpayer must account for the proceeds ... included in basis. Nothing in either 1001(b) or in the Court's prior decisions requires the Commissioner to permit a taxpayer to treat a sale of encumbered property asymmetrically, by including the proceeds of the nonrecourse obligation in basis but not accounting for the proceeds upon transfer of the encumbered property.

When a taxpayer sells or disposes of property encumbered by a nonrecourse obligation